INFORMATION BULLETIN # 60

INCOME TAX

SEPTEMBER, 2001

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SUBJECT: TAXATION OF UNEMPLOYMENT COMPENSATION BENEFITS

REFERENCE: IC 6-3-1-3.5; IC6-3-2-10

INTRODUCTION:

All unemployment compensation benefits are taxable at the federal level. However, a federal adjusted gross income threshold of $12,000 for single taxpayers, and $18,000 for married taxpayers, determines the taxability of unemployment compensation benefits in Indiana.

CALCULATION OF DEDUCTION FROM FEDERAL ADJUSTED GROSS INCOME

The following worksheet should be used to calculate the Indiana deduction, if any.

1. Net unemployment compensation received in the taxable year. __________
2. Federal adjusted gross income including net unemployment compensation. __________
3. Enter $12,000 if single or $18,000 if married filing jointly. __________
4. Subtract Line 3 from Line 2. If zero or less, enter zero. __________
5. Enter fifty percent (50%) of the amount on Line 4. __________
6. Taxable unemployment compensation for Indiana purposes: enter the amount from Line 1 or Line 5, whichever is smaller.__________
7. Subtract Line 6 from Line 1. Enter the difference on the appropriate line on Form IT-40 Schedule 1, Form IT-40PNR Schedule D, or on the Indiana Deduction Worksheet on Form IT-40EZ. __________

If you were married but are filing separately and you lived with your spouse at any time during the year, you must enter 0 on Line 3 of the worksheet. However, if you were married but are filing separately and lived apart from your spouse the entire year, you may use the single taxpayer income limitation of $12,000 on Line 3.

The difference between the federal taxable amount and the Indiana taxable amount is taken as an Indiana modification on the Indiana return.

Kenneth L. Miller
Commissioner